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INTERNATIONAL ECONOMIC CLASSIFICATIONS

Note by the Secretary-General

SUMMARY

The Secretary-General has the honour to transmit to the Statistical Commission the report of the Voorburg Group on Service Statistics, which is contained in the annex. The report of the Voorburg Group contains recommendations for changes to the services part of the provisional Central Product Classification (CPC) and summarizes the present status of the work of the Voorburg Group. Detailed recommendations for the revision of CPC are contained in a paper entitled "Detailed recommendations of the Voorburg Group on Service Statistics for changes to the services part of the provisional Central Product Classification", which is before the Commission as a background document (because they are technical and preliminary, the detailed recommendations are at present available only in English).

Section I of the present report covers the methodology used by the Voorburg Group in carrying out its mandate (paras. 5 and 6), while section II defines the scope and coverage of the Voorburg Group's report and recommendations (paras. 7-10). Section III provides a general introduction to the detailed recommendations themselves, including the structure of the changes recommended for CPC and the changes that have been recommended to date in the explanatory notes for CPC (paras. 11-20). Section IV discusses future directions for work on CPC for services (paras. 21-28) and section V contains points for discussion (para. 29).

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Annex

REPORT OF THE VOORBURG GROUP ON SERVICE STATISTICS: RECOMMENDATIONS FOR CHANGES TO THE SERVICES PART OF THE PROVISIONAL CENTRAL PRODUCT CLASSIFICATION

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INTRODUCTION

1. The Voorburg Group on Service Statistics was formed at the request of the Statistical Division of the United Nations Secretariat (UNSTAT) to assist in the development of the Central Product Classification for services. The findings and recommendations of the Group were incorporated into the provisional Central Product Classification (CPC), the final draft of which was considered and approved by the Statistical Commission at its twenty-fifth session.

2. Since its publication, a/ the members of the Voorburg Group have adopted and tested selected areas of CPC, developing model surveys to facilitate standardized data collection and undertaking further research.

3. At the eighth meeting of the Voorburg Group, UNSTAT requested that the Group prepare a report on CPC for submission to the Statistical Commission at its twenty-eighth session; the present report has been prepared in response to that request.

4. The report has been divided into two parts. The first part consists of a general introduction to the work of the Voorburg Group on the revision of the services part of CPC and is contained in the present document. The second part consists of detailed recommendations for the revision of CPC for services and related issues and is contained in a paper entitled "Detailed recommendations of the Voorburg Group on Service Statistics for changes to the services part of the provisional Central Product Classification", which is before the Commission as a background document (because they are technical and preliminary, the detailed recommendations are at present available only in English).

I. METHODOLOGY

5. At the request of UNSTAT, the Voorburg Group created a Classification Subgroup to produce an interim set of recommendations based on a review of all the reported experience of the members of the Voorburg Group in using or implementing CPC. The Subgroup met in Heerlen, the Netherlands in May 1994 and reviewed those groups and classes of the services part of the CPC for which members of the Voorburg Group had reported their findings. It also took into account the experience of the Statistical Office of the European Community (EUROSTAT), in particular with its Classification of Products by Activity (CPA).

6. The report of the Voorburg Group on CPC was approved at its ninth meeting (Sydney, October 1994).

II. SCOPE AND COVERAGE OF THE REPORT

7. For the present report, the Voorburg Group set itself a limited objective: to report the experience of its members in applying or testing CPC, as reported in the papers presented to the meetings of the Voorburg Group since the publication of CPC (see detailed recommendations, bibliography). Where the proposals of members were in conflict with one another, these were reconciled in

order to produce a single set of recommendations on the structure and explanatory notes of CPC.

8. During the discussions, a number of unresolved issues were noted (see detailed recommendations, sect. 3).

A. Scope

9. The reported experiences of the Voorburg Group and the recommendations contained in the present report fall within the services part of CPC, namely, CPC divisions 61 to 99. CPC division 91 (Public administration services) and divisions 61, 62 and 63 (Trade services), however, were treated as outside the scope of the review even if there were papers on those areas, except for CPC 633 (Repair services of personal and household goods). The review did not address the question of whether and how goods categories should be assigned to trade.

B. Coverage

10. The number of CPC groups, classes and subclasses falling within the scope of the review (i.e., Total excluding transportable goods; Non-transportable goods; Trade, except repair; and Public administration) is summarized below:

Total 3-digit groups in scope	85
Total 4-digit classes in scope	214
Total 5-digit subclasses in scope	441
Total 3-digit groups entirely or partially reviewed	33
Reviewed entirely a/	24
Reviewed partially	7
Model surveys that need further testing a/	2
Total subclasses entirely or partially reviewed	214
Subclasses reviewed and accepted b/	60
Subclasses changed c/	88
Subclasses unresolved	39
Subclasses not yet reviewed	27
Total 3-digit groups not yet reviewed	52
Total subclasses not yet reviewed	227

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a/ One of the 24 three-digit groups listed under "Reviewed entirely" also needs further testing.

b/ No changes proposed.

c/ Not including renumbering if content unchanged.

III. INTRODUCTION TO THE DETAILED RECOMMENDATIONS

11. The detailed recommendations (see para. 4 above) consist of three sections:

(a) The Structure of CPC (sect. I);

(b) Explanatory notes (sect. II);

(c) Some outstanding and unresolved issues (sect. III).

A. The structure of the provisional Central Product Classification

12. In section I of the detailed recommendations, the recommendations of the Voorburg Group for each CPC item in the selected areas are described and certain outstanding issues are mentioned.

13. The recommendations are also laid out in tables, in each of which CPC classes are shown in the first column and Voorburg Group recommendations in the second column.

14. Since the publication of CPC, the United Nations has published A Model Survey of Computer Services, b/ which contains a revised set of CPC categories for computer services. The Voorburg Group also approved a model survey for the telecommunication sector, which contains a revised set of CPC categories for telecommunications. In both cases, the main table provides the Voorburg Group recommendations by model survey category and an additional table shows the relationship between CPC and the model survey.

15. Code numbers have been used to explain the recommendations of the Voorburg Group, except when there were none within the existing structure that could be used at the three-digit level. When CPC is finalized, a complete review of the code structure for the services part of CPC will need to be undertaken in order to accommodate the Voorburg Group recommendations and to balance the statistical importance of the various categories.

B. Explanatory notes

16. Section II of the detailed recommendations covers the CPC explanatory notes; to date no attempt has been made to completely rewrite them.

17. Only in three cases, CPC 752 (Telecommunications services), CPC 83 (Leasing or rental services without operator) and CPC 84 (Computer services), are the CPC explanatory notes to be completely replaced.

18. In all other cases, the notes provided in the detailed recommendations simply clarify the existing explanatory notes by providing a list of inclusions and/or exclusions; these will need to be reviewed along with the existing notes and merged only after checking for duplication.

19. There remains the task of rewriting the explanatory notes to correspond with the recommendations made for the CPC structure. Where it has been recommended that classes be split or merged, the action required to finalize the explanatory notes has been indicated but not yet carried out.

20. For the final version of CPC, one of two approaches could be adopted: either the descriptive text could be supplemented with inclusions and exclusions of product description, or it could be replaced by lists of product descriptions. The latter approach would be preferable for a product classification but may be difficult to achieve unless service products can be identified for which transactions occur and data can be collected.

IV. PROSPECTS

21. Most statistical offices are only gradually introducing a product dimension into their programmes for the collection of services statistics. The detailed recommendations are themselves based on the experience of only a few countries and it is unlikely that the services part of CPC will have been tested in its entirety in time to be presented to the Statistical Commission for adoption at its twenty-eighth session. The Voorburg Group is mindful of the fact that:

(a) There is a need for an international classification of service products;

(b) The services part of CPC is the only available international classification of services products;

(c) Many important parts of that classification will have been well tested but other parts will not;

(d) CPC is being used as the basis for international trade in services classification and negotiations.

22. Accordingly, the Voorburg Group recommends that the Statistical Commission request that a revised version of CPC, incorporating the experience and recommendations of the Voorburg Group and other CPC users, be presented to the Commission for approval at its twenty-ninth session, and that the revised version be described as CPC version 1.0.

23. Unlike activity classifications, for which long periods can elapse between revisions, a product classification such as CPC requires frequent revision; the Voorburg Group strongly recommends that a programme be adopted to ensure such revision.

A. Structure and detail of the services part of the provisional Central Product Classification

24. It is recommended that the Statistical Commission, at its twenty-ninth session, adopt the third and fourth digits of CPC for the compilation of service product statistics for the purposes of international comparability, and that where subclasses at the fifth-digit level have been defined, they be used to define the content of the four-digit classes and for data collection or compilation by those who may wish to do so. It is also noted that, in certain areas of the classification, elaboration of the fourth-digit and fifth-digit levels will only be possible after more experience has been gained by users.

25. It is acknowledged that different aggregation structures are required for different analytical purposes, such as the compilation of tourism and environment statistics. At present, the Voorburg Group is not in a position to recommend aggregations using particular sets of consistent aggregation principles; users may define alternative aggregations for their own purposes.

B. Contribution of the Voorburg Group on Service Statistics

26. The Voorburg Group will be in a position to undertake a review of the entire services part of CPC (Divisions 50 to 99), including recommendations on its structure and detail and rewritten explanatory notes, in time for submission to the Statistical Commission at its twenty-ninth session.

27. In order to produce a CPC (version 1.0) for submission to the Statistical Commission at its twenty-ninth session, the Voorburg Group will ask its members to exhaustively review CPC in the light of the detailed recommendations, including unresolved issues; to draw on European experience in using CPA and any additional experience members may have had in using CPC; and to take into consideration the requirements of the System of National Accounts 1993 (1993 SNA).

C. Relationship to other classifications

28. The results of the present review indicate a need to review the content of certain service industries within the International Standard Industrial Classification of All Economic Activities, Revision 3 (ISIC, Rev.3) in the light of findings relating to CPC. The CPC version that is presented to the Statistical Commission at its twenty-ninth session is also likely to have an impact on the content of other industries in ISIC, Rev.3, as will any recommendations that may be made by users of the goods part of CPC. Moreover, changes recommended for CPC may have an impact on classifications based on CPC that are developed by other international agencies. The Commission should be mindful of such impacts and should request that the linkages that currently exist among classifications be maintained.

V. POINTS FOR DISCUSSION

29. Based on the information provided in the present report and the detailed recommendations, the Commission may wish to:

(a) Endorse the recommendations of the Voorburg Group;

(b) Endorse, in particular the recommendation of the Voorburg Group concerning the detail of CPC;

(c) Provide, in view of the above, some further guidance to ensure that a CPC (version 1.0) is ready in time for its twenty-ninth session; the Commission may also wish to define the role of the Voorburg Group in future revisions of CPC.

Notes

a/ Provisional Central Product Classification, Statistical Papers, Series M, No. 77 (United Nations publication, Sales No. E.91.XVII.7).

b/ Statistical Papers, Series M, No. 81 (United Nations publication, Sales No. E.91.XVII.12).